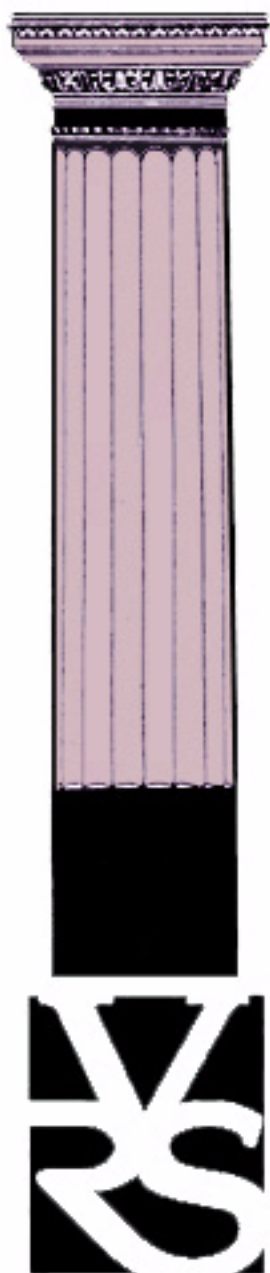


The
Virginia
Retirement
System

*Presentation to the
Joint Legislative Audit and Review
Commission*

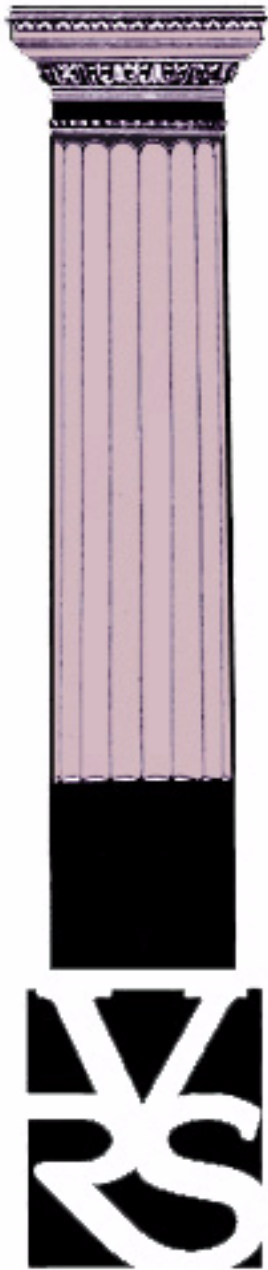
July 9, 2001
Bill Leighty, Director



VRS Membership Distribution

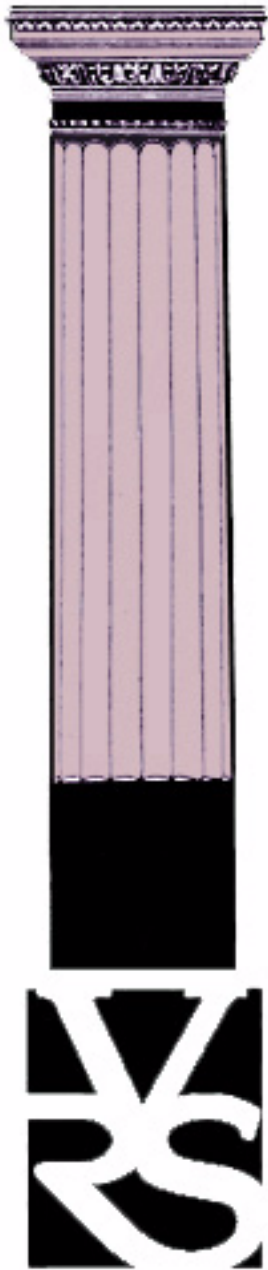
| | |
|---------------------------|----------------|
| State | 78,022 |
| Teacher | 126,764 |
| Pol. Sub. | 86,628 |
| SPORS | 1,769 |
| JRS | 404 |
| VaLORS | 10,383 |
| Total | 303,970 |
| Retirees/Beneficiaries | 99,497 |
| Inactive - Vested | 23,947 |
| Inactive - Non-vested | 62,869 |
| VRS Overall Impact | 490,283 |

As of June 30, 2001

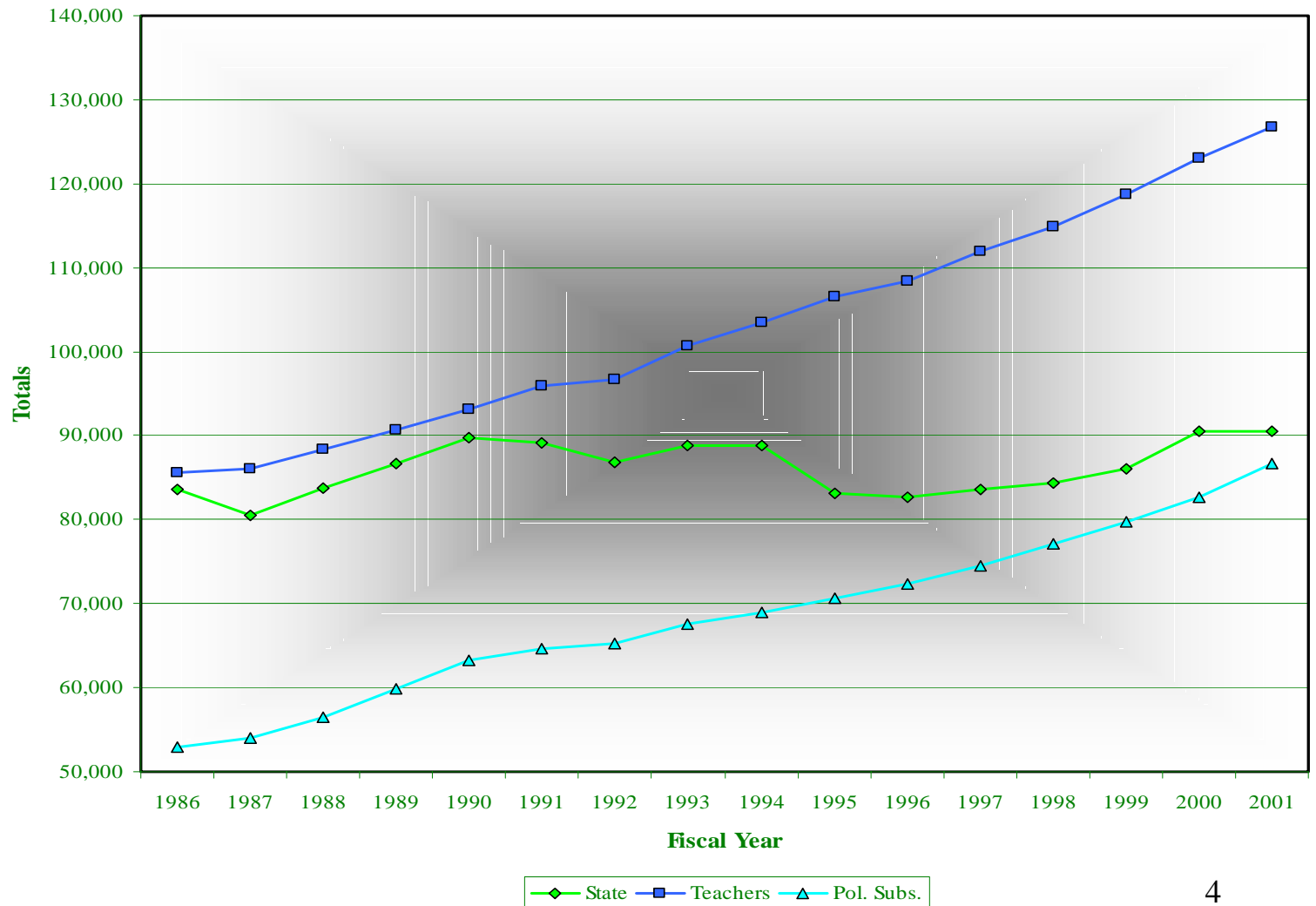


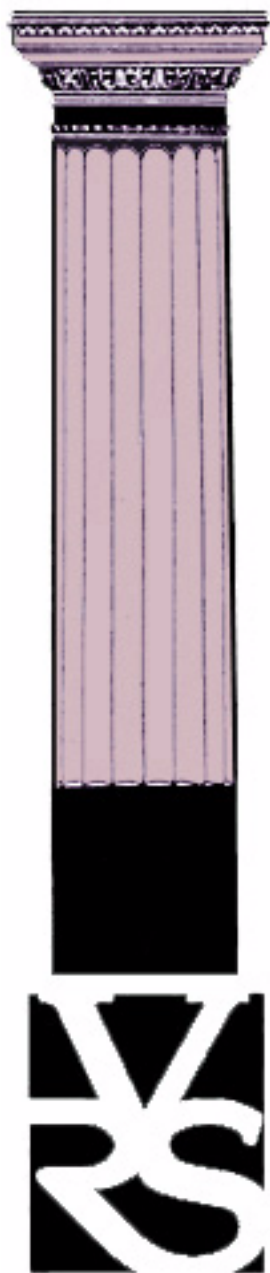
Virginia Retirement System Participating Employers

| | |
|---------------------|------------|
| Cities and Towns | 142 |
| Counties | 92 |
| Special Authorities | 148 |
| School Divisions | 162 |
| State Agencies | 235 |
| Total | 779 |

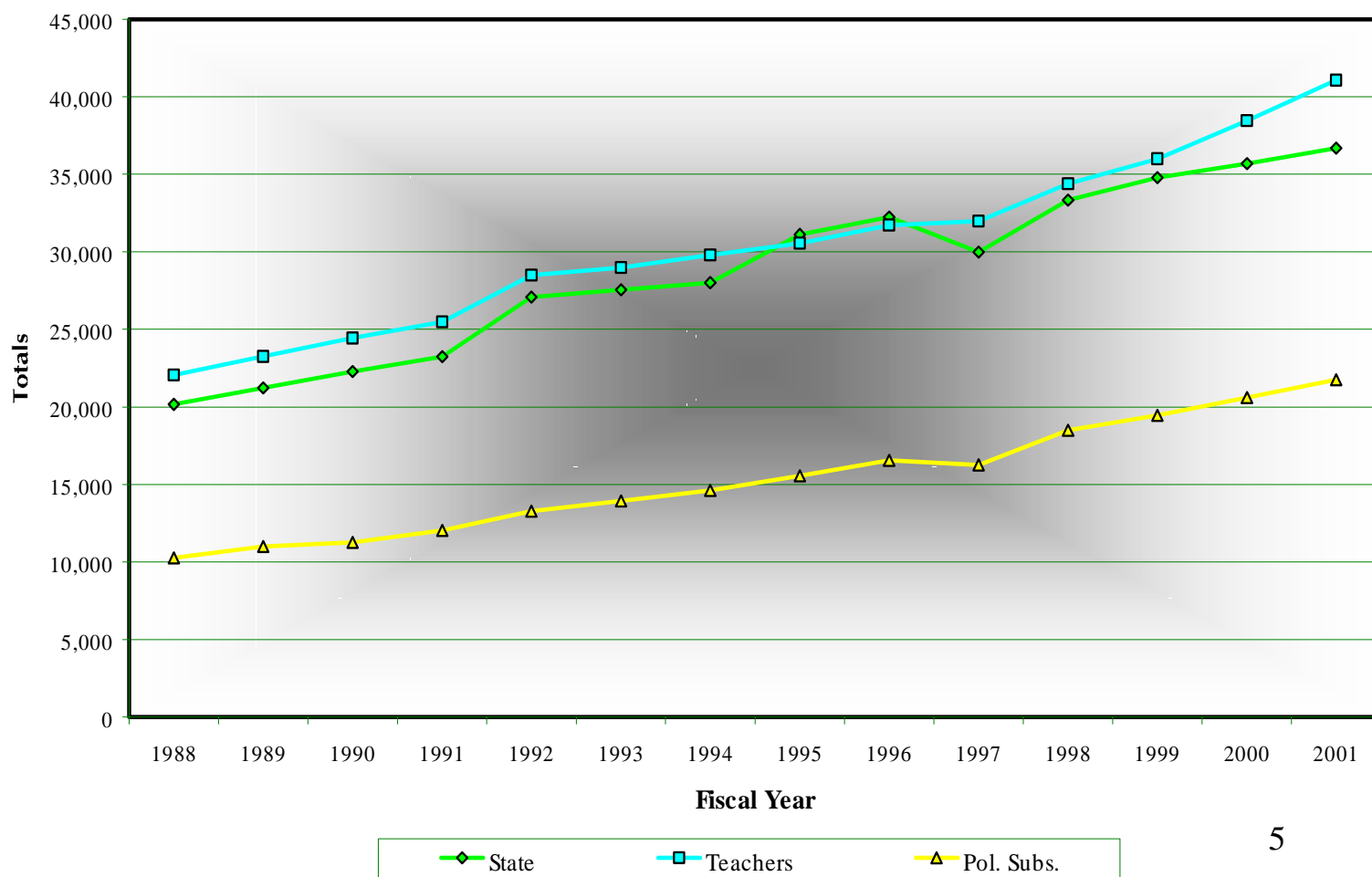


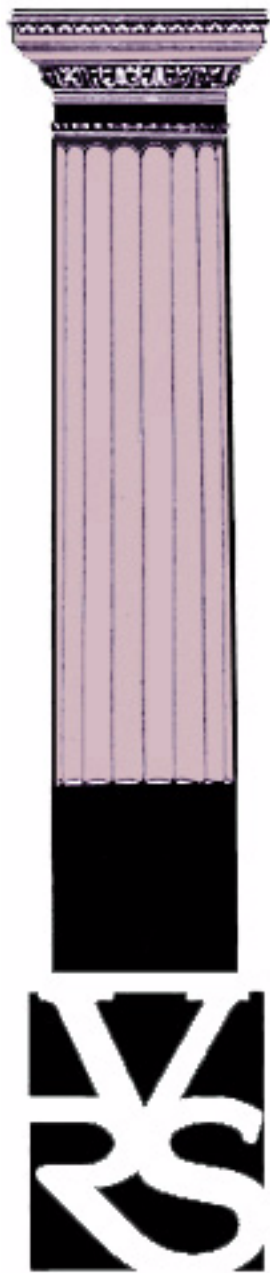
VRS Active Members





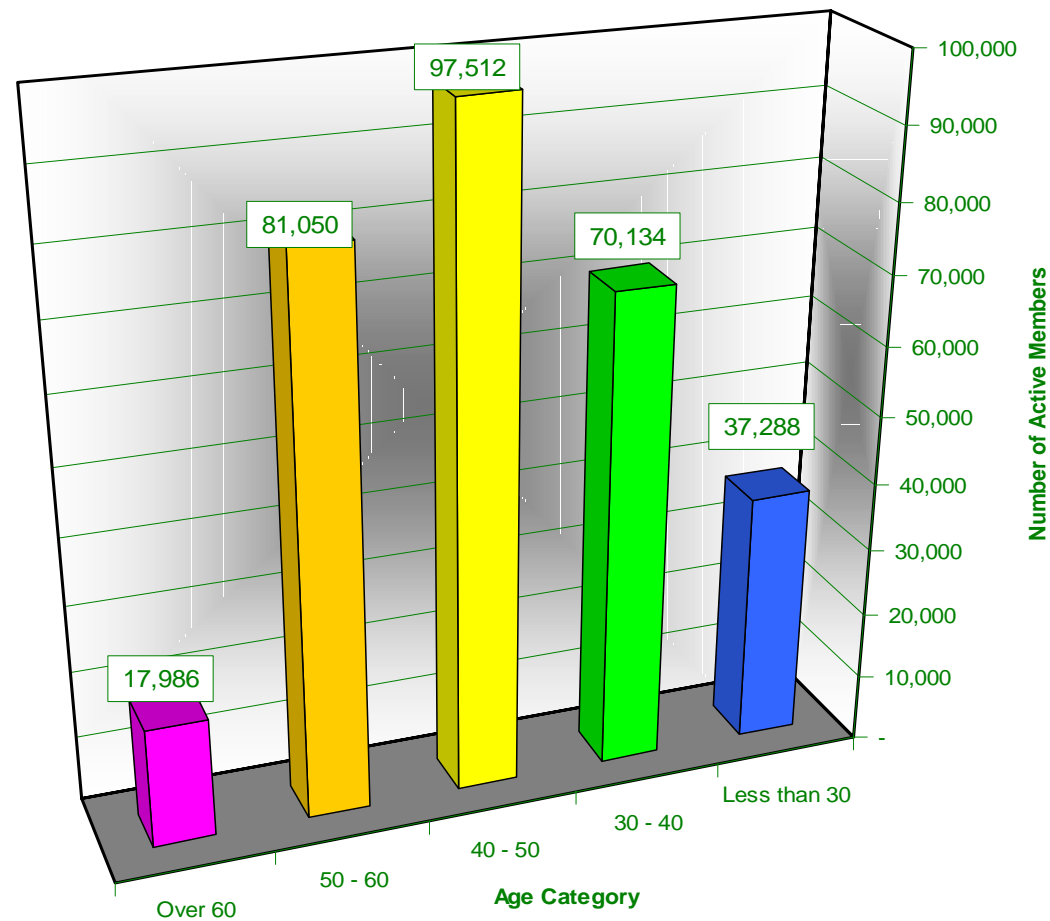
VRS Retirees

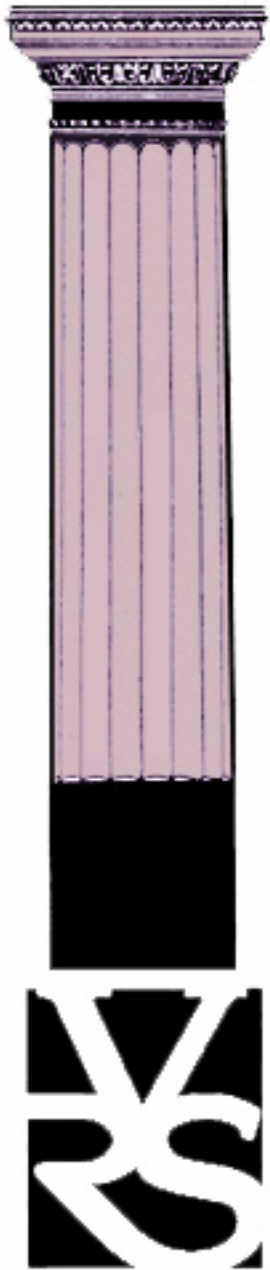




Age Categories of Active Members

The Wave is Coming!!





International Benchmarking

We are comparing ourselves to other large, quality public pension systems, both domestic and foreign.

Benefits achieved include being able to adapt “Best Practices” of others to suit our own needs.

35 leading international pension systems are participating in the Benefit Administration Benchmarking project.

United States

- Alaska Department of Administration
- CalPERS
- CalSTRS
- Colorado
- Illinois Teachers'
- Indiana Public Employees
- Indiana State Teachers'
- Kansas Public Employees'
- Los Angeles County Employees
- Missouri State Employees
- New Jersey Division of Pensions
- New York City Teachers'
- New York State and Local
- Ohio Police & Firemen's
- Ohio Public Employees
- Ohio State Teachers'
- Oregon Public Employees
- School Employees of Ohio
- State of Michigan
- Texas Employees'

- Texas Municipal
- Virginia Retirement
- Washington State
- Wisconsin DETF

Canada

- Hospitals of Ontario Pension Plan
- Local Authorities Pension Plan of Alberta
- Ontario Teachers'

Australia

- Commonwealth
- Queensland
- New South Wales
- Victoria

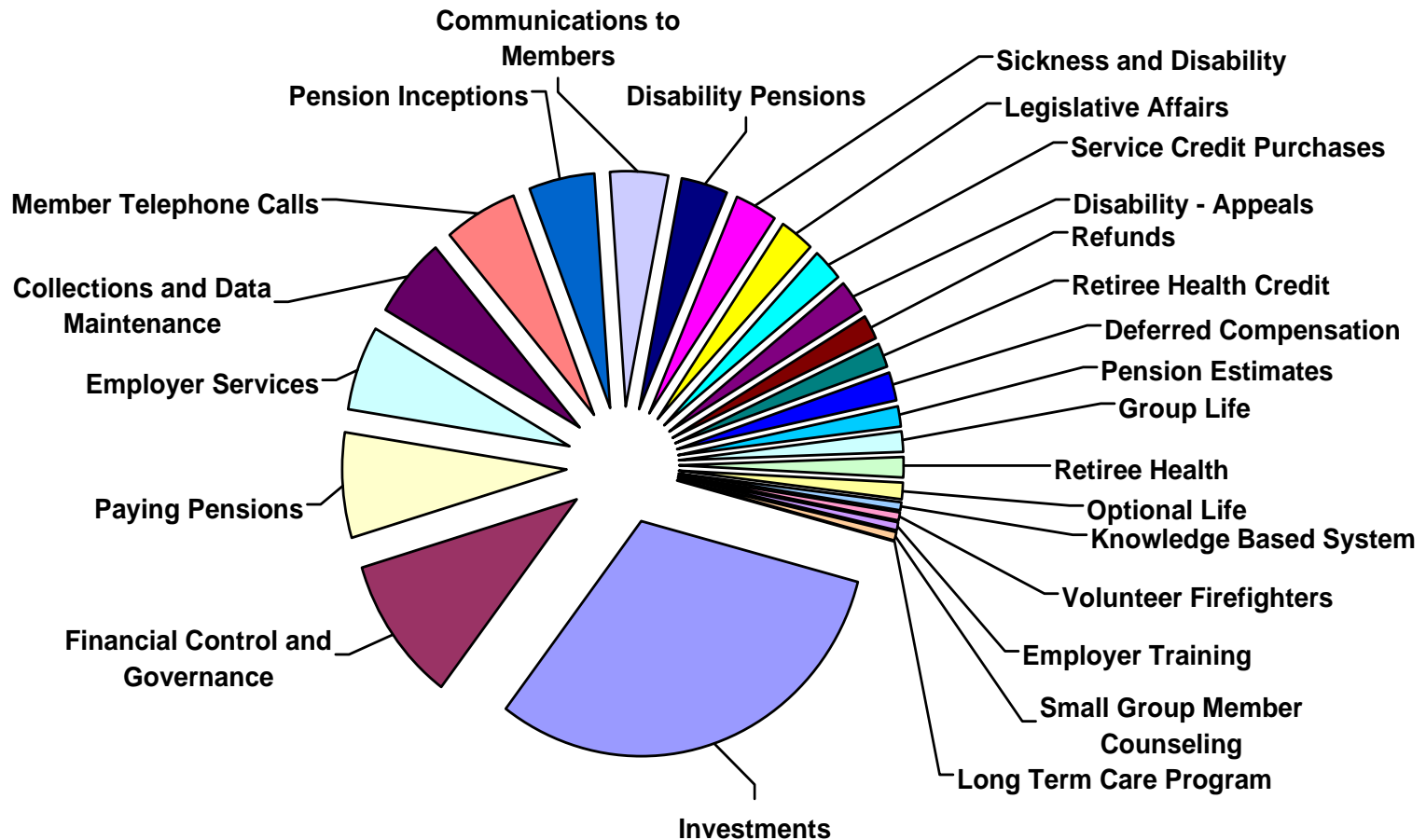
The Netherlands

- ABP
- MN Services/ BPMT
- Pensioensfonds PGGM
- Stichting Shell Pensioenfond

Administrative Expenses by Cost Object

YTD Third Quarter

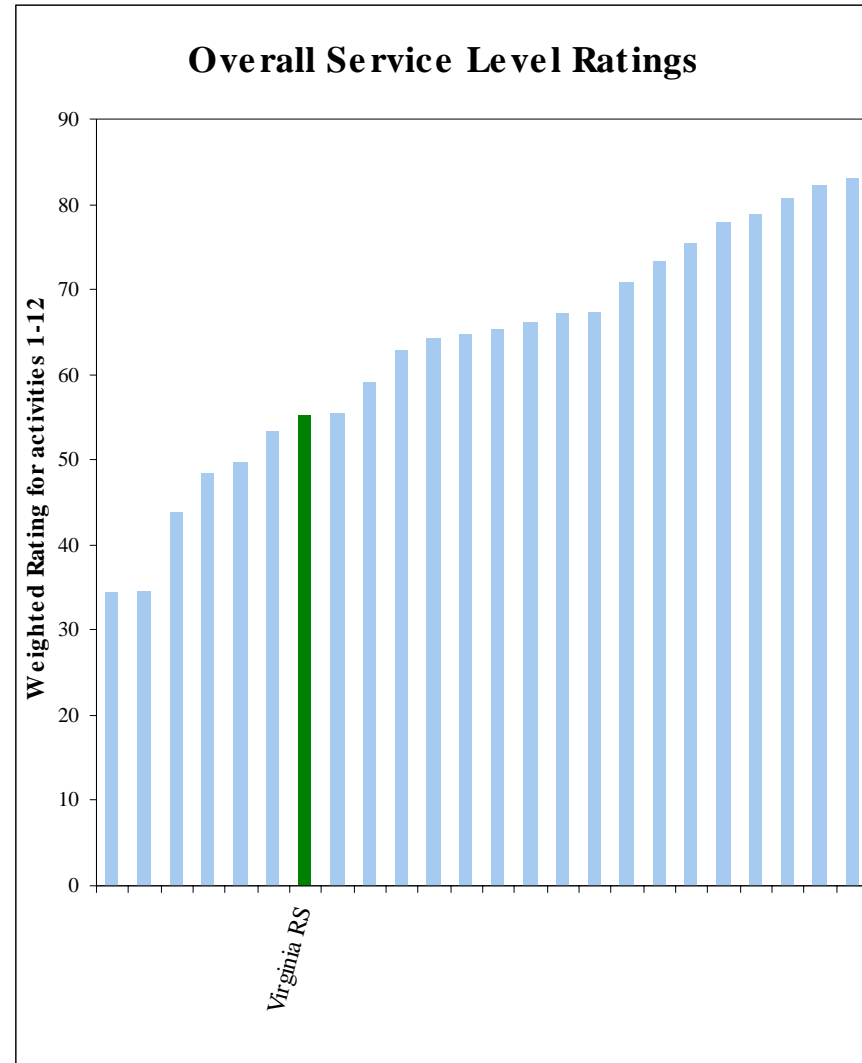
Fiscal Year 2001



Your service levels were below the median of your peers.

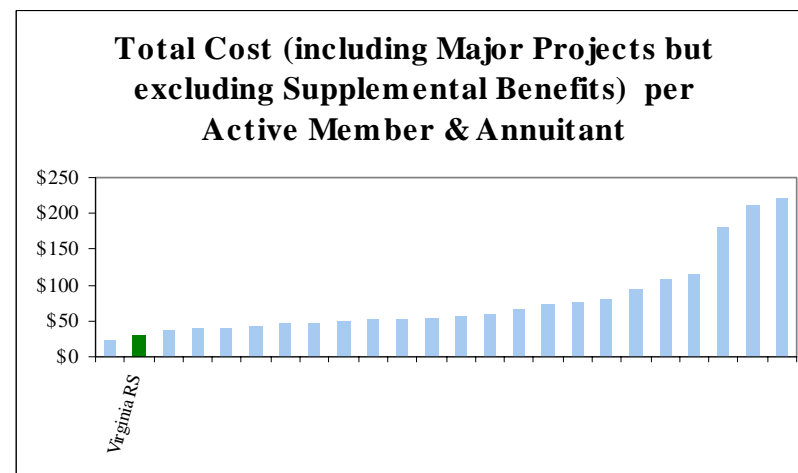
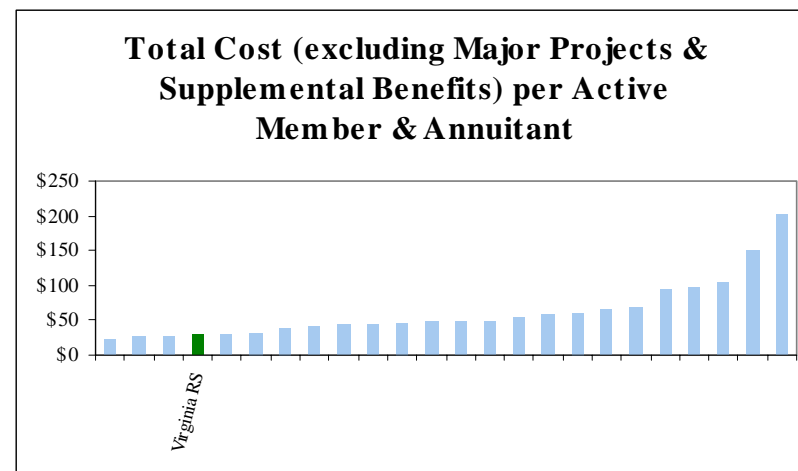
Your lower service level rating is due to your bottom quartile ranking in the following activities:

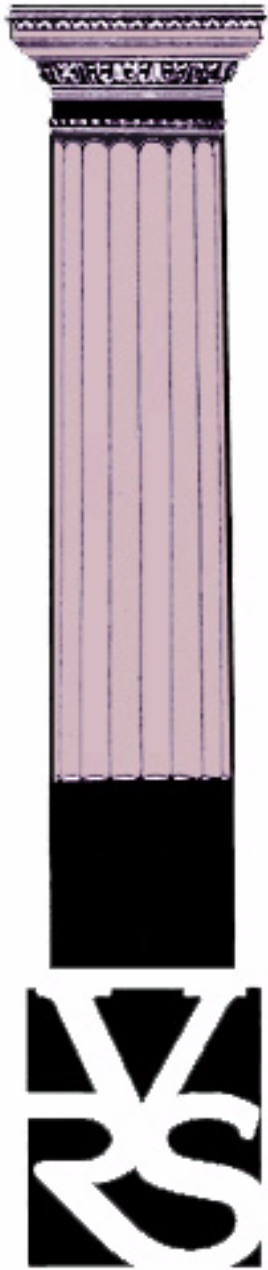
- **Paying Pensions:** Even though 99.5% of your payments to existing annuitants are on time, you are low in this activity. This is because you do not offer choice regarding method of payment (check or direct deposit) whereas 83% of your peers do. You also do not offer choice as to whether members receive a check stub with every payment. Very few of your peers do this.
- **Estimates:** You were low primarily because it takes you 20 days on average to provide a written estimate versus an average of 16 days for your peers.
- **Counseling:** You were low because you do 72% 1-on-1/ 28% small group counseling (versus a peer average of 84% 1-on-1, 16% small groups) and you do not monitor counseling satisfaction regularly (33% of your peers monitor satisfaction regularly).
- **Purchases:** Your low service rating for Purchases reflects that fact that it takes you 30 days to provide a cost to purchase versus an average of 23 days for your peers.



Your total cost per active member and annuitant is much lower than the median of your peers. If we include the costs of Major Projects, your costs are 2nd lowest overall.

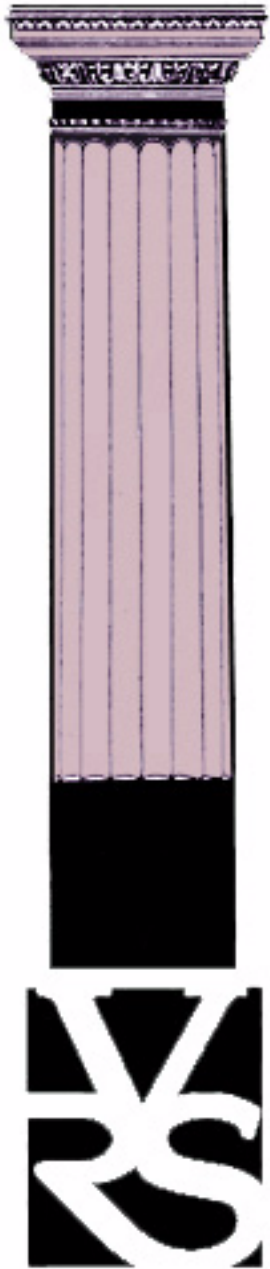
- Your cost (excluding Major Projects and Supplemental Benefits) of \$29 is less than the peer median cost of \$49.
- If we add back the cost of Major Projects, your cost of \$31 is much lower than the peer median cost of \$55.





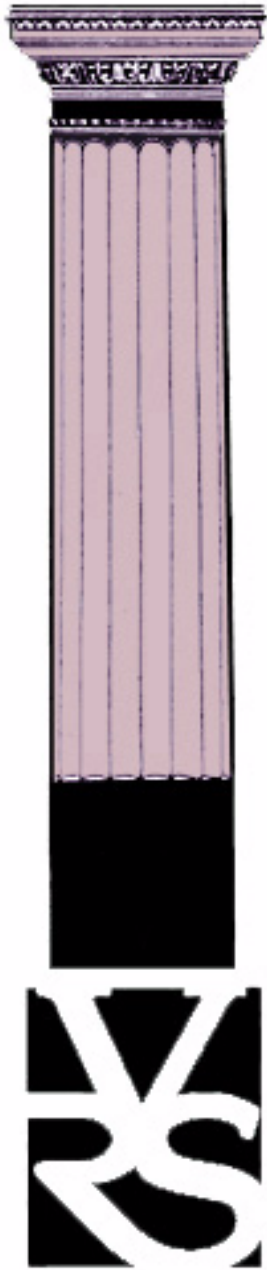
The Complexity Dilemma

- **Generally, complexity adds to costs**
- **Complexity is necessary to achieve fairness**
- **Complexity and fairness must be balanced**



The Consequences of Complexity

- **Complexity causes additional overhead**
- **Complexity causes process bottlenecks and constraints**
- **Complexity causes frustration**
- **Complexity causes added cycle time**
- **Complexity causes errors**



Reducing Complexity - Three Steps

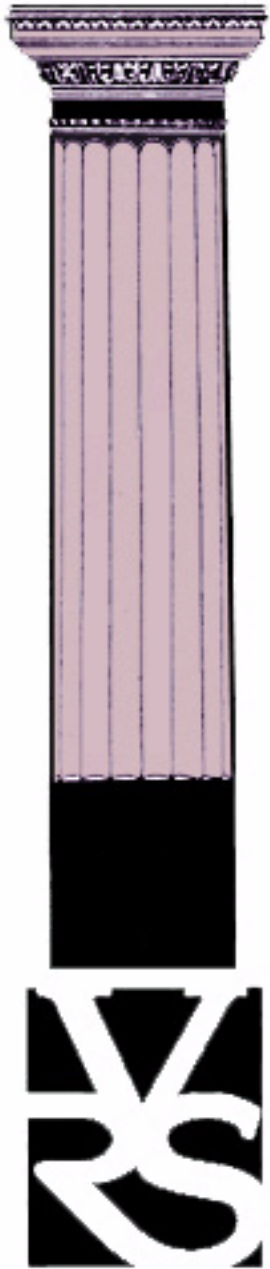
- **Take Inventory**
 - Define activities by department
- **Theory of Ones**
 - Ask why one person can not do the whole activity
- **Standardize, Synchronize and Simplify**
 - Ask others for ideas for consolidating workflow



VRS Initiatives

Some Examples

- **Formula Change**
1.7% of of average final compensation
- **Vesting of Deferred Annuitants**
Five years, regardless of when departed
- **Health Credit Administration**
Annual certification, no monthly paperwork



Future VRS Initiatives

What are They?